

Exhibit C

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the year ended December 31, 2004

Commission File Number 000-30229

SONUS NETWORKS, INC.
(Exact name of Registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	04-3387074 (I.R.S. employer identification no.)
250 Apollo Drive, Chelmsford, Massachusetts 01824 (Address of principal executive offices, including zip code)	

(978) 614-8100
(Registrant's telephone number, including area code)

**Securities registered pursuant to Section 12(b) of the Act:
None**

**Securities registered pursuant to Section 12(g) of the Act:
Common stock, \$0.001 par value**

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the common stock held by non-affiliates of the Registrant was approximately \$845,000,000 based on the closing price for the Common Stock on the NASDAQ National Market on June 30, 2004. As of February 28, 2005, there were 248,066,762 shares of common stock, \$0.001 par value per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required in Part III of this report is incorporated by reference to specified portions of the Registrant's definitive Proxy Statement to be issued in conjunction with the Registrant's 2005 Annual Meeting of Shareholders, which is expected to be filed not later than 120 days after the Registrant's fiscal year ended December 31, 2004.

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data of Sonus should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and notes to those statements included elsewhere in this report.

	Year ended December 31,				
	2004	2003	2002	2001	2000
(in thousands, except per share data)					
Consolidated Statement of Operations Data:					
Revenues	\$ 170,738	\$ 93,210	\$ 93,917	\$ 128,800	\$ 51,770
Cost of revenues(1)	50,567	37,909	51,576	62,778	27,849
Gross profit (loss)	120,171	55,301	42,341	66,022	23,922
Operating expenses:					
Research and development(1)	36,174	32,190	44,591	63,896	26,430
Sales and marketing(1)	34,969	23,169	27,786	40,876	21,569
General and administrative(1)	24,595	10,475	5,248	12,827	5,477
Stock-based compensation	671	3,418	16,871	74,132	26,729
Amortization of goodwill and purchased intangible assets	2,402	2,408	4,229	70,551	—
Write-off of goodwill and purchased intangible assets	—	—	10,950	392,587	—
Restructuring charges, net	—	—	7,739	7,321	—
In-process research and development	—	—	—	44,600	—
Total operating expenses	98,811	71,660	117,414	706,590	80,205
Income (loss) from operations	21,360	(16,359)	(75,073)	(640,568)	(56,283)
Interest income, net	3,804	1,525	1,318	4,949	6,245
Income (loss) before income taxes	25,164	(14,834)	(73,755)	(635,619)	(50,038)
Provision for income taxes	687	302	86	—	—
Net income (loss)	24,477	(15,136)	(73,841)	(635,619)	(50,038)
Net income (loss) applicable to common stockholders	\$ 24,477	\$ (15,136)	\$ (73,841)	\$ (635,619)	\$ (50,038)
Net income (loss) per share (2):					
Basic	\$ 0.10	\$ (0.07)	\$ (0.39)	\$ (3.68)	\$ (0.52)
Diluted	\$ 0.10	\$ (0.07)	\$ (0.39)	\$ (3.68)	\$ (0.52)
Pro forma basic and diluted	—	—	—	—	\$ (0.37)
Shares used in computing net income (loss) per share (2):					
Basic	245,830	220,696	191,008	172,905	95,877
Diluted	253,816	220,696	191,008	172,905	135,057
Pro forma basic and diluted	—	—	—	—	—
	December 31,				
	2004	2003	2002	2001	2000
(in thousands)					
Consolidated Balance Sheet Data:					
Cash, cash equivalents, marketable securities and long-term investments	\$ 313,105	\$ 305,392	\$ 118,138	\$ 125,013	\$ 142,065
Working capital	271,584	260,962	60,946	81,895	135,597
Total assets	393,828	358,424	153,517	216,206	194,835
Long-term deferred revenue, net of current portion	25,960	24,302	8,024	3,942	—
Long-term liabilities, net of current portion	613	829	3,293	1,289	—
Convertible subordinated note	10,000	10,000	10,000	10,000	10,000
Total stockholders' equity	265,040	234,435	56,421	110,566	150,706

(1)

Excludes non-cash, stock-based compensation expense as follows:

	December 31,				
	2004	2003	2002	2001	2000
(in thousands)					
Cost of revenues	\$ 18,181	\$ 45	\$ 235	\$ 1,304	\$ 404
Research and development	240	1,180	8,930	42,764	11,428
Sales and marketing	311	1,542	4,941	17,968	12,051
General and administrative	102	651	2,765	12,096	2,846
	\$ 671	\$ 3,418	\$ 16,871	\$ 74,132	\$ 26,729

(2)

See Note 1(q) to our consolidated financial statements for an explanation of the method of calculation. Pro forma per share calculation reflects the conversion of all outstanding shares of redeemable convertible preferred stock into shares of common stock which occurred upon the closing of our IPO in May 2000, as if the conversion occurred at the date of original issuance.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the Town of Chelmsford, Commonwealth of Massachusetts, on this 15th day of March, 2005.

SONUS NETWORKS, INC.

By: /s/ HASSAN M. AHMED

Hassan M. Ahmed
Chairman of the Board of Directors and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title	Date
<u>/s/ HASSAN M. AHMED</u> Hassan M. Ahmed	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	March 15, 2005
<u>/s/ ELLEN B. RICHSTONE</u> Ellen B. Richstone	Chief Financial Officer (Principal Financial Officer)	March 15, 2005
<u>/s/ BRADLEY T. MILLER</u> Bradley T. Miller	Vice President of Finance, Corporate Controller and Chief Accounting Officer (Principal Accounting Officer)	March 15, 2005
<u>/s/ ALBERT A. NOTINI</u> Albert A. Notini	President and Chief Operating Officer, and Director	March 15, 2005
<u>/s/ EDWARD T. ANDERSON</u> Edward T. Anderson	Director	March 15, 2005
<u>/s/ JOHN P. CUNNINGHAM</u> John P. Cunningham	Director	March 15, 2005
<u>/s/ PAUL J. FERRI</u> Paul J. Ferri	Director	March 15, 2005
<u>/s/ RUBIN GRUBER</u> Rubin Gruber	Director	March 15, 2005
<u>/s/ PAUL J. SEVERINO</u> Paul J. Severino	Director	March 15, 2005
<u>/s/ H. BRIAN THOMPSON</u> H. Brian Thompson	Director	March 15, 2005